S. HRG. 101-245

NOMINATIONS OF DENNIS EDWARD KLOSKE AND C. AUSTIN FITTS

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

ON

THE NOMINATIONS OF

DENNIS EDWARD KLOSKE, OF VIRGINIA, TO BE UNDER SECRETARY OF COMMERCE FOR EXPORT ADMINISTRATIOIN, VICE PAUL FREEDENBERG, RESIGNED

AND

C. AUSTIN FITTS, OF NEW YORK, TO BE AN ASSISTANT SECRETARY OF HOUSING AND URBAN DEVELOPMENT, VICE THOMAS T. DEMERY, RESIGNED

AUGUST 1, 1989

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NOMINATIONS OF

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TUESDAY, AUGUST 1, 1989

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The committee met at 9:20 a.m., in room SD–538 of the Dirksen Senate Office Building, Senator Paul Sarbanes, presiding.

Present: Senators Sarbanes, Cranston, Wirth, Garn, Heinz, and D'Amato.

OPENING STATEMENT OF SENATOR SARBANES

Senator SARBANES. The committee will come to order. We meet this morning to review the nomination of Mr. Dennis Kloske to be Under Secretary of Commerce for Export Administration.

And, subsequently, the committee will also review the nomination of C. Austin Fitts to be an Assistant Secretary of Housing and Urban Development.

And Senator Cranston, who chairs the Subcommittee on Housing, will chair that hearing.

Senator Riegle had planned to be here this morning in order to chair both of these hearings, but he was unable to do so because of an illness in his family.

The position of Under Secretary for Export Administration is a difficult and very important one in the Federal Government. It requires someone with the ability to strike a careful balance between the needs of U.S. exporters to be able to compete effectively in international markets and the genuine security requirements of the United States in controlling the sale to the Eastern Bloc of high technology goods with military application.

In fact, the critical nature of this position led this committee to amend the Export Administration Act a few years ago to raise the position from that of Assistant Secretary to the Under Secretary level, which underscores, of course, the importance which we attach to this particular assignment.

Last year, the Banking Committee made further significant revisions in the Export Administration Act as part of the Omnibus Trade Bill. The bill sought to streamline administration of the act by reducing significantly the number of goods currently subject to export controls at the low end of the technology scale, while the bill also sought to facilitate dispute resolution among the Federal agencies which administer the act by setting deadlines for agency decisions on license applications.

In addition, the bill strengthened the enforcement provisions of the act by expanding the authority of the Commerce Secretary to impose penalties for violation of the export control laws.

The responsibility for implementing these and other changes in the Export Administration Act made by the Congress last year will rest upon the new Under Secretary for Export Administration.

The previous Under Secretary, Paul Freedenberg, was, in fact, the first person to hold that position. And he rendered, in my view, distinguished service.

The committee looks forward this morning to hearing the views of the new nominee for this important post, Mr. Dennis Kloske.

I'll defer to Senator Garn and Senator Wirth for any statements they might have.

OPENING STATEMENT OF SENATOR GARN

Senator GARN. Thank you very much, Mr. Chairman.

First of all, may I apologize in advance. I already have to Mr. Kloske. I will not be able to stay long. We have a markup in the Energy Committee on the status of Puerto Rico, which is controversial to say the least.

But I do want to welcome our witnesses to the committee and congratulate them on being nominated to serve in the Bush administration.

In particular, I'd like to direct my comments to Mr. Kloske, who has been nominated to serve as Under Secretary of Commerce for Export Administration.

As he undoubtedly knows, it was my insistence that that position was created to highlight and give more importance in the Department of Commerce to this particular area.

As sponsor of the position that created the position at Commerce, I certainly have a proprietary interest in how the job is done. The Under Secretary position was created for two purposes:

To ensure that U.S. national security interests receive sufficient priority within the Commerce Department; to ensure that decisions regarding export controls are segregated from the Department's trade promotion efforts.

These are important considerations because national security is not the natural mission of the Commerce Department. And it is likely, when a tradeoff is required, to yield to commercial pressures.

These pressures are on the increase and will only grow in the years ahead. The United States is running large trade deficits and industry is pushing very hard for reductions in trade restrictions of all types, including national security controls.

This tendency will be heightened by the apparent changes in the Soviet Union that offer more trading opportunities with a less threatening partner.

It is my hope the new Under Secretary will remain mindful of his unique national security mission in the face of this pressure, and avoid a rush to decontrol.

It is my intention that the committee maintain careful oversight to ensure that this is so.

A major problem with our export control system has been interagency competition that has produced gridlock rather than effective control.

I can remember at the time I was trying to create a separate office of strategic trade, I used to say that:

> Defense wouldn't sell pencils with rubber erasers, because somehow that was threatening to our national security, to combine a pencil and an eraser.

On the other hand, Commerce would sell anything because that was their mission to do so. And the State Department in the area of foreign policy controls never understood the problem to begin with.

But, very seriously, there have been a lot of problems with those divisions, with each department taking rather extreme positions.

So I certainly don't want that to happen again. The Bush administration has already gotten involved in one dispute over foreign availability for desk top computers. No one benefits when these issues are debated in the newspapers rather than at NSC meetings.

It is my hope that neither the new Commerce Under Secretary nor export control officials will bring any personal agenda to this debate.

I don't want to hear about a Defense agenda that nothing can be sold or a decontrol agenda that nothing can be held back.

Mr. Kloske can bring to this job considerable talents, which I've heard a great deal about from a number of people who certainly are very high in their praise of you. I think you can bring a working consensus and sound export control decisionmaking process to promote our national security as well as maximize the sale of U.S. products to help cut down the trade deficit.

There's been considerable progress in this area in recent years, and it's my intention that it should continue.

I would agree with Senator Sarbanes. I think Paul did an excellent job as the first Under Secretary.

I certainly wish you well in your job and look forward to working with you in the future as a member of the Banking Committee.

Thank you, Mr. Chairman.

Senator SARBANES. Thank you very much, Senator Garn.

Senator Wirth.

OPENING STATEMENT OF SENATOR WIRTH

Senator WIRTH. Thank you, Mr. Chairman.

Mr. Kloske, welcome and congratulations again. You bring to this job an extraordinarily distinguished résumé and career at an early age, and we appreciate that and are pleased that you have taken on this job.

I, too, am going to have to join Senator Garn in the travails of Puerto Rico, but I wanted to just mention a couple of things, one that you've been deeply involved with and the other that is a concern of mine.

The first is the question of the Defense Industrial Base and what's happened with that, nationally and internationally.

It seems to me, if we look at the budget, the budget is going to be going like this in Defense as well as for just about anything else, unless something extraordinary happens that none of us anticipates at this point.

One of the major problems—you and I have talked about this before—is how do we manage that without having to kind of fall off the edge.

I think that clearly is part of our role; internationally, I'm not sure what the interchange between those is going to be.

I think it's out there, but I'm not sure how your role there and your experience in Defense and that set of problems fits.

But there's a major set of technologies and capabilities that the United States has, it seems to me, that we want to really think about.

I know you've given that a lot of thought. And I wanted to come just to tell you that there are an awful lot of people up here in the Senate, as you know, who are very concerned about this. We've had some extraordinarily interesting hearings here on the Defense Industrial Base at this committee. And, you know, Senator Bingaman's subcommittee on the Armed Services Committee focused on that, and so on.

I would hope that, early on, it gets your attention.

I come just to raise the issue because once you get into the maelstrom, you get buried in a lot of the trees. I hope that will be one of the forest products you are concerned about.

The second issue relates to energy and the environment, and U.S. technical capabilities there. We have, as you know, a sharply increasing set of global environmental problems which are rooted very heavily in energy inception.

We are not going to be able to do anything about global warming, the greenhouse effect, the build up of carbon dioxide and the acceleration of the burning of coal unless we really very seriously take on the application of a lot of technological developments that we've seen so far.

Even if the United States stopped burning any fossil fuels altogether, the world contribution by the United States would be more than overtaken by the extraordinarily rapid growth of fossil fuel consumption in China and India alone.

This gives us not only opportunities for U.S. exports, but also for the kind of cooperation and leadership that we have to have.

Those are just two targets—China and India—and the whole question of Eastern Europe is also of enormous import.

This is an issue that also, like the Defense Industrial Base, is one that we all know is there but unless we attend to it, it will still be there with all the other things that we squeak; with all of the other noise that gets made, it tends to be forgotten.

I just wanted to come by this morning only to underscore those two issues. I know that you have the conceptual, intellectual, experiential capacity to look at these.

I'm really pleased that you're going to be taking this job on and I want to congratulate you and say that I look forward to working with you.

Let me know if you can help me, and if I can help you in any way.

Senator SARBANES. Mr. Kloske, we're prepared to hear from you.

STATEMENT OF DENNIS EDWARD KLOSKE, OF VIRGINIA, TO BE UNDER SECRETARY OF COMMERCE FOR EXPORT ADMINISTRATION

Mr. KLOSKE. Thank you, Mr. Chairman. I want to thank you and the rest of the committee for taking this prompt action on my nomination.

It's an honor and a privilege to appear before you today as President Bush's nominee for Under Secretary of Commerce for Export Administration.

I'm also particularly grateful to Secretary Mosbacher for having recommended me to the President for this position, which will give me the opportunity to bring my Government experience to the challenging areas of national security, economic security and export competitiveness.

For over 6 years, Mr. Chairman, I've had the opportunity to serve in the Department of Defense and at NATO headquarters in the areas of Strategic Planning and International Defense Trade.

During this time, I witnessed changes that are rapidly transforming our international environment.

In East-West relations, we are now seeing a Soviet Union that faces intractable domestic problems, a weakening of its costly empire and a new leadership that is desperate to modernize the Soviet economy in its preparation for the 21st century.

We must remain watchful of the Soviet Union's strategic objectives and military prowess and be diligent in ways to best prevent the flow of strategic technologies to the Communist Bloc.

On the other hand, we must execute Government policies to provide for market environment that supports legitimate efforts of our industry to maintain its export competitiveness.

Exporting is critical to U.S. industries as they face a shrinking domestic market. Without this recognition by the U.S. Government, we will be unable to prevent the long-term erosion of our Defense Industrial Base.

During my 6 years at the Department of Defense, Mr. Chairman, I was struck by the fact that the United States is no longer dominant in the development of technologies across-the-board.

In the area of national security, we have seen the continuing expansion of the technological capabilities of European and Pacific Basin nations.

This requires on our part that we make determined multilateral efforts to regulate the flow of strategic technology both to the Soviet Bloc and to unstable Third World regions.

It is my intent, if confirmed for this position, to work closely with the Defense Department, the State Department and other sister agencies to achieve this goal.

In the area of economic security, I am deeply concerned with the erosion of our industrial base.

The growing dependence of U.S. companies on foreign parts and components, particularly in the Defense arena, raises troublesome questions about the autonomy of our industrial base in the future.

If confirmed for this position, I will also work closely with Department of Defense and other agencies to ensure that we fully understand both the impact of foreign economic and technical activity on our industrial base.

Mr. Chairman, the Bureau of Export Administration is at the crossroads of national and economic security issues; certainly for the coming decade, it is a key agency that will play a major role in regulating America's high technology industries and monitoring the evolution of our industrial base.

It is by far one of the most challenging areas in which to participate and I am particularly fortunate that my predecessor, Dr. Paul Freedenberg, transformed the Bureau into a first class operation.

If confirmed for this position, it is my objective to lead the Bureau in making strong and positive contributions to our national and economic security.

Mr. Chairman, I would like to underscore the fact that the Commerce Department, certainly the Bureau, intends to work extremely closely with this committee and its concerns.

Thank you.

Senator SARBANES. Thank you very much, Mr. Kloske.

Pursuant to the committee's standard procedure, I'd like to ask you to stand and be sworn.

[Witness sworn.]

Senator SARBANES. Do you agree to appear and testify before any duly constituted committee of the Senate?

Mr. KLOSKE. Yes, sir.

Senator SARBANES. From your position in the Department of Defense from which you are now coming over to Commerce, how much of an opportunity did you have to observe the difficulties involved in administering the Export Administration?

Mr. KLOSKE. I became involved in International Defense Trade beginning in 1984. By 1985, I was assigned a leadership position by the Secretary of Defense to coordinate the Defense Department's International Defense Trade Activities.

One of the more troublesome aspects that I had a chance to witness was not only the great difficulties that we had in coming to terms with what kind of export control policies we had in the military, but at the same time, in working with the State Department and in dealings with our friends in Commerce, I saw that clearly, there was no consensus.

There were fractions in philosophies, different kinds of jurisdictions and there were those kind of circumstances where personalities got involved. It was very difficult to generate any kind of consensus policy.

The result was a very acrimonious debate; more often than that, a policy gridlock. So, from the vantage point of the Department of

Defense, clearly, for this administration and for the rest of the agencies, it is absolutely imperative that we use the guidance that has been provided to us by the U.S. Congress, that not only must we execute the law, but we must develop the right consultative procedures to make sure that we can move forward.

Senator SARBANES. Gen. Lou Allen, who chaired the National Academy of Sciences panel on National Security Exports Controls in testimony, stated that:

> The administrations export policy process * * * this is the previous administration * * * was 'in disarray' with the Commerce, Defense and State Departments unable to settle their differences.

He then pointed out that mechanisms such as the National Security Council which were supposed to resolve interagency conflicts failed to provide the leadership.

And I take it, your previous answer, while not necessarily signing on to all of that, do not express a strong variance with it.

I guess the question is whether the recent disagreement, public disagreement, between Commerce Secretary Mosbacher and Defense Secretary Cheney with respect to the decontrol of personal computers is an indication that these interagency difficulties are continuing in this administration.

Mr. KLOSKE. I think the fact that we have a new administration on board that is sensitive to the balance, Mr. Chairman, between the requirements to protect our national security and also to advance the legitimate interests of our industrial exports points in the right direction.

In the case of the AT decontrol process, as I understood it, all sorts of consultations took place between the Commerce Department and the rest of the sister agencies. And at the end, unfortunately, there were still some outstanding philosophic differences.

I would think that the administration would make sure that the consultative procedures that have been established in the past will be reviewed and, where required, strengthened.

I received every indication that staff of the Commerce Department, the State Department and the Defense Department have met in the last several days to make sure that these consultative procedures work out the best they can.

Senator SARBANES. Did something go wrong or is this standard?

The story in the paper said:

> Pentagon assails computer exports. Two Secretaries split on move to expand East Bloc sales. In a highly unusual protest, Defense Secretary Cheney said today that the Commerce Department is wrong to broaden the range of personal computers that can be sold to the Soviet Bloc nations.
>
> He did it apparently from a prepared statement at a Pentagon news conference. It wasn't even a sort of off the cuff remarks, and contended that the action announced Tuesday by fellow Cabinet Member, Secretary Mosbacher, would significantly benefit the Soviet military.

How are we supposed to perceive this conflict?

Mr. KLOSKE. I think, Mr. Chairman, there were still some outstanding differences in terms of philosophy when it applies to strategic trade between the United States and the Soviet Union.

All I can tell you is from my position, from what I was able to see at a distance, was that the Commerce Department made every

single effort possible to consult under the Foreign Availability Procedures with the sister agencies.

Consultations took place over a 7½ month period. Secretary Mosbacher had a chance to notify Secretary Cheney on the 22nd via a formal written letter that was hand-delivered to the Secretary of Defense, in which Secretary Mosbacher commented on the fact that after a period of exhaustive and lengthy consultations, he intended to proceed under his authority by certifying the AT computer decontrol, and encouraged Secretary Cheney to give him a call and to consult further in the next 5 days.

Secretary Mosbacher, from what I understood, did not hear from Secretary Cheney until almost 2 months later. We did proceed at Commerce.

Secretary Mosbacher did send the regulations certifying decontrol to OMB. OMB proceeded with a new round of consultations between the various agencies.

These consultations were completed with the National Security Council, the Intelligence community and the State Department and the Department of Defense. OMB notified the Secretary of Defense and the Department of Defense that they had 48 hours to seek, under their prerogative, a national security override.

They chose not to do so. What prompted Secretary Cheney to make those comments in public, I do not understand nor am I privy to his thoughts.

As to the comment from Secretary Cheney that this makes a major contribution to Soviet military capability, obviously, the technical experts can always disagree.

But what we did find interesting is that the technical experts from Commerce, Mr. Chairman, and from the Department of Defense, in terms of certifying the processing data rates of these computers, basically agreed; there was a very small difference between them.

Senator SARBANES. This same article says, and I quote:

> Pentagon officials contend that the senior Defense Department officials were caught by surprise by the Commerce Department move. Donald J. Atwood, Jr., Deputy Secretary of Defense, trying to reach Mr. Mosbacher over the weekend to stop the action before it was taken, but his telephone calls were not returned, Pentagon officials said.

Mr. KLOSKE. There's an extensive record to show, and I'll be glad to furnish the committee with the chronology of consultations which shows again, as I indicated earlier, that Secretary Mosbacher did communicate to Secretary Cheney 2 months in advance of the official certification.

Previous to that, there were all sorts of consultations at the technical level. After the letter from Secretary Mosbacher to Secretary Cheney, there was another round of formal consultations directed by OMB.

It's difficult for me to believe that senior officials of the Department of Defense, having spent 6 years there, were not appraised of the matter.

Senator SARBANES. You say there's a chronology that's been prepared?

Mr. KLOSKE. Yes, sir.

Senator SARBANES. For what purpose was that chronology prepared?

Mr. KLOSKE. Just for the formal record to indicate the level of consultations and when they took place between various agencies.

Senator SARBANES. Was that done after this allegation here?

Mr. KLOSKE. No, sir. The instructions that were provided to the staff were that every time an official meeting took place, that a memorandum for the record be established a chronology reestablished as to what exactly transpired.

Senator SARBANES. I think it would be helpful if you did submit that to the committee. We would appreciate that very much, and it will be included in the record.

AT ASSESSMENT CHRONOLOGY

1988

27 January	Assessment begins. Formal written requests for consultation and information support sent to DoD, CIA, State, and DoE.
14 June	A/S Zacharia designates AT as OFA's top priority. Special AT working group formed.
21 September	OFA submits draft assessment to other BXA offices (A/S Zacharia, General Counsel, OTPA) for review.
27 October	Revised assessment submitted to DoD, CIA, State, and DoE for technical review.
22 November	State Department responds, suggests dropping reference to Japanese microprocessor chips; otherwise strongly supportive. OFA accomodated the suggestion.
30 November	CIA responds, agreeing with evidence and analysis. Suggested lower limits for finding, based on policy considerations.
06 December	DTSA/DoD responds, disagreeing with the study, its scope and evidence. Cited 5(k) status and U.S.-origin technology as reasons to discount study. Provided no evidence. Did not identify errors in analysis.
16 December	AT assessment revised to include other agencies' suggestions and forwarded to A/S Zacharia for his review of the final findings.
29 December	U/S Freedenberg and A/S Zacharia concur with assessment's findings and request preparation of Federal Register notice of determination.

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10 January	Draft Federal Register notice of positive finding sent to DoD, CIA, State, and DoE. Requested that agency principal notify Commerce if it is believed that negotiations with foreign source governments are a necessary and reasonable alternative to decontrol.

AT ASSESSMENT CHRONOLOGY (cont'd)

19 January	D/US Mullen (DoD/DTSA) notifies U/S Freedenberg of DoD's intention to recommend the negotiation process. CIA, State and DoE do not respond with objections to the Federal Register notice.
23 January	DTSA opposes Commerce's publication of Federal Register notice of positive finding, requests another review of the assessment's findings, and suggests that Acting Secretary of Defense Taft will recommend the negotiations process.
27 January	Acting Secretary Tuttle speaks with Acting Secretary Taft. Tuttle conveys her doubts that negotiations with the dozens of firms identified in the assessment would be successful. Taft agrees.
31 January	Pikus meets with OMB to discuss assessment and positive finding and urges them to expedite their clearance. OMB provided with copy of assessment and Federal Register notice.
02 February	OMB clears the Federal Register notice announcing the determination.
03 February	A/S Zacharia instructs OFA to accomodate DTSA's request for a meeting to consider new evidence.
09 February	Representatives from BXA meet with DTSA to consider the new evidence. DTSA presents no new evidence, but raises issues of whether the decontrol will release advanced bus architectures, laptop machines, ruggedized machines, and other systems based on different microprocessors.
10 February	OFA sends decision memorandum to A/S Zacharia with revised options for the Federal Register notice. Memorandum notes that the meeting with DTSA produced no evidence to contradict the validity of the assessment's findings. OFA accomodates DTSA on issues of laptop and ruggedized machines.
14 February	Acting Secretary Taft requests that Secretary of Commerce Mosbacher delay publication of any Federal Register notice. Taft believes that Secretary Mosbacher should make no decision on the AT assessment until the new BXA appointees are in place.

AT ASSESSMENT CHRONOLOGY (cont'd)

23 February	Freedenberg calls BXA meeting on AT. Proposes delaying publication of determination until information gathered on microchannel bus architecture.
2-8 March	BXA discussions with Intel, IBM, Apple, and Motorola.
10 March	Pikus sends memo to Freedenberg concerning OFA's view that microchannel systems and those based on Motorola microprocessors should be included in decontrol.
17 March	Memo from DoD/IIP (Acquisition) to DTSA stating that the DoD technical review concluded that the assessment is "essentially correct" and that foreign availability should be incorporated in COCOM proposals.
30 March	OTPA memo to Freedenberg recommending continued control over microchannel bus architecture systems.
03 April	Cahn memo on Microchannel and Motorola systems.
06 April	Freedenberg instructs FA determination and interim rule be drafted for Federal Register publication.
22 May	Secretary Mosbacher signs letter transmitting draft determination and draft Interim Rule to Secretary Cheney. Requests Cheney communicate national security concerns in next 5 days.
23 May	Secretary Mosbacher's letter to Secretary Cheney delivered. DAS/EA LeMunyon letter on draft determination and draft Interim Rule sent to DoS DAS Hankin. Draft determination and draft interim rule sent to OMB. OMB consults with State, DoD and NSC.
31 May	Deputy Secretary of Defense Atwood sends letter requesting meeting with DoC citing "new technical questions".
02 June	DTSA meets with OFA and OTPA representatives at 11 AM to discuss technical details of Interim Rule. DTSA focuses on parameters not agreed upon in COCOM.

AT ASSESSMENT CHRONOLOGY (cont'd)

02 June	Director/OTPA gives DTSA official a preliminary response to meeting of 11:00 AM, accepting several of DTSA's points but rejecting others inconsistent with foreign availability finding.
03 June	McEntee replies to Wolfowitz, addressing concerns in Atwood letter.
05 June	Telephone call - DTSA and Director/OTPA discuss DTSA's response to points made by DoC at June 2 meeting.
	FAX reiterating points previously made by DTSA and answered by DoC received from DTSA.
06 June	Telephone call - DTSA and OTPA discuss technical points mentioned by Director/OTPA relating to DTSA's June 5 paper.
07 June	Telephone call - DTSA requests additional details and rationale for DoC's position, which is given over the phone.
03 July	McEntee replies to DUS Mullen, providing point-by-point response to DoD's concerns.
06 July	OMB (Scarato) requests copy of assessment; written request faxed. Pikus told that the report was needed to address the details of the proposed regulation more effectively.
07 July	Copy of AT assessment sent via motor pool to OMB (Scarato).
11 July	OMB (Steer) calls to discuss details of assessment, finding, and proposed regulation. PDRs of 80286 and 80386SX machines discussed. OMB considers a modification of the regulation to reflect their concern of releasing too highly-advanced technology. Pikus corrects OMB's error citing PDR calculations for 80386SX.
	OMB (Arbuckle) informs DAS LeMunyon that the AT regulation is released for publication on Thursday, July 13. OMB stated DoD was also notified and that Secretary Cheney had until c.o.b. July 12 to contact Secretary Mosbacher regarding any changes.
13 July	OMB faxes to DoC OGC approved version of the AT decontrol regulation.

AT ASSESSMENT CHRONOLOGY (cont'd)

13 July	DUS McEntee informs AS/DoD Hadley that decision on AT decontrol is proceeding.
14 July	Regulation sent to Federal Register.
16 July	DepSec/DoD Atwood speaks with Counsellor Berman via telephone reiterating DoD views on technical issues. Requests call from Secretary Cheney to Secretary Mosbacher.
	DoS (Hankin) calls DUS McEntee to request status of DoD/DoC contacts. Reaffirms State support of DoC position. Informed of Atwood call.
17 July	Federal Register publication of determination and regulation decontrolling AT computers for non-controlled countries.
	Discussions on AT decontrol begin at COCOM.
	Secretary Cheney calls Secretary Mosbacher, they agree to improve formal consultations in the future. Cheney also informed that decision had gone forward for publication.
	DAS LeMunyon informs Jerry Leach of NSC of Cheney-Mosbacher conversation and that Commerce is proceeding.
	DepSec Murrin attempts to reach DepSec/DoD Atwood.
	DoS calls DUS McEntee stating directive cable to go forward to COCOM delegation. State also informed of Cheney call to Secretary Mosbacher.
	Continue status/updates to State by DoC in Washington and at COCOM/Paris.
18 July	Commerce press release announcing decision.
25 July	Last day for objecting to decontrol at COCOM - due to become effective 15 August.
15 August	Publication of COCOM agreed decontrol.

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Mr. KLOSKE. If I could add, Mr. Chairman, if I could speak on behalf of the Secretary of Commerce, the instructions and guidance that he has provided to the staff from the top on downward, it is that, as far as the interagency process is concerned, all staff members are to be collegial and cooperative and consultative to the maximum degree.

And I think, in the last 7 months, from an afar distance, I've been able to witness that that indeed has taken place.

Senator SARBANES. From your point of view, what, if anything, needs to be done to manage interagency disagreements so that all parties can be heard, and yet timely decisions can be made?

Mr. KLOSKE. I think that we need to make sure in the Commerce Department, and I think we've already done so and the sister agencies need to do so as well, is to ensure that the ground rules that have been established and need to be established are observed with the clock ticking, with technical experts commenting back and forth.

And when disputes do take place, that they be resolved immediately, or as soon as possible after due process, to the next highest level.

I believe the Commerce Department and the rest of the agencies have observed those rules, and we have every intention of observing those rules so that the consultative process can work well and smoothly.

Having said that, it is no mystery to anyone that in any kind of administration, you have different positions and different jurisdictions. There are always bound to be differences.

I had a chance to see that in the Department of Defense on other kinds of issues.

Once these issues are escalated, in the final analysis, the President will have to make the decision. And he will have to provide instructions and guidance to his Cabinet Secretaries.

It is our hope that we would not get into that situation on a regular basis. It is my intention, if I'm confirmed, to make sure that I work very closely with my colleagues in the Defense Department and the State Department and the National Security Council so we can iron out and work out the disagreements in advance.

That is our responsibility.

Senator SARBANES. Who is your counterpart in the Defense Department?

Mr. KLOSKE. Dr. Paul Wolfowitz.

Senator SARBANES. We're considering legislation before this committee which would amend the Export Administration Act and impose sanctions on foreign countries which use chemical weapons, and on foreign companies which sell chemicals which can be used to make chemical weapons sold to such countries.

What is your position on this legislation?

Mr. KLOSKE. The spread of chemical capability throughout the Third World region, when I had a chance to be at Department of Defense, was certainly one of the most fundamentally disturbing developments that we have seen taking place in a long time, particularly since defense against both persistent agents and nonpersistent agents is very difficult, particularly in a conventional environment.

Having seen the proliferation of technologies, I feel very strongly that we ha e to make every single possible effort, not only within this administration, but with our allies, to make sure that we can control the spread and dissemination of these chemicals.

Having said that, Mr. Chairman, it's no mystery to you that it's a very difficult thing to do. Some of these chemicals lend themselves to dual use purposes. A fertilizer plant has a chemical weapons capability.

Nevertheless, because of the threat of destabilization that they pose in Third World regions first and, second, should our military presence be required there and these agents be used against us, the threat that would be posed to our Armed Forces is, I think, one of the greatest priorities that we need to achieve in this administration.

But we need to work with our allies. Any kind of sanctions or any kind of punitive approach that is taken, any intent that controls in the international arena, requires a multilateral effort, Mr. Chairman.

I'm sure that the administration will make every single effort possible to work with our allies to control the dissemination of those chemicals. It is not an easy task.

Senator SARBANES. Are you opposed to any action by the Congress or U.S. position in the absence of their being a multilateral action?

Mr. KLOSKE. The position of the administration, Mr. Chairman, as I understand it, is that we are opposed to providing the kind of sanctions on a unilateral basis. And I'm afraid I would have to support that position.

I think the administration can and should devote resources to make sure that we can create a far more active export regime and, if necessary, to impose sanctions where criminal activity has taken place.

But I do think the executive branch needs a shot first in trying to strengthen a multilateral regime. And it needs discretion, if criminal activity has taken place, to impose sanctions.

Senator SARBANES. We held a panel with administration witnesses, and they indicated that the administration, depending on the nature of the sanctions and how they applied, was prepared to support legislation.

I take it, the position you're expounding this morning is less forthcoming than that?

Mr. KLOSKE. No. Our position, Mr. Chairman, is I think the administration needs to ensure that it has a fully coordinated policy between the various agencies to understand what it is that we need to do on the chemical front.

Then we need to engage the allies in strengthening this kind of capability. And. if need be, we need to have available to us a series of punitive and restrictive measures.

I would hope, however, and this is my position, that the flexibility of the President in conducting his foreign policy activities need not be tied to a chain. He needs the kind of discretion to impose sanctions, if necessary.

Senator SARBANES. We've got legislation before us, some of it introduced by a republican leader of the Senate, and some of it with a broad range of cosponsors.

Is the administration for or against that legislation?

Mr. KLOSKE. At this stage, on the various pieces of legislation, I couldn't tell you right now. I'd have to get back to you.

Senator SARBANES. Are you telling me they don't have a position or you don't know the position?

Mr. KLOSKE. I think they're working out the position on an interagency basis.

Senator SARBANES. They don't have one now. Is that right?

Mr. KLOSKE. I think the position now is on a broad, philosophic basis, Mr. Chairman. What specific steps need to be taken within the interagency process and vis-a-vis our allies needs to be worked out.

Senator SARBANES. I expect the Congress is going to move on this fairly soon, with or without an administration position.

Mr. KLOSKE. I understand, Mr. Chairman.

Senator SARBANES. It's very difficult to understand why we can't get a forthright administration position on this issue. It's not an inconsequential issue, as you, yourself, have just conceded.

Mr. KLOSKE. I agree, Mr. Chairman.

Senator SARBANES. I have just one final question. I see Senator Cranston is here and I know he wants to move on to the jurisdiction in the housing arena.

What's your view on how effective a mechanism for multilateral export controls CoCom is?

Mr. KLOSKE. I think the previous administration deserved a lot of credit for having worked very, very hard in creating a multilateral approach to control strategic trade. I think it's a very valuable organization. I think it's one that the allies certainly believe in.

I think, overall, since its institution, CoCom has been a great success. And I think CoCom, as an institution, as a controlling guide for strategic trade for the 1990's, needs to be preserved.

Having said that, I think we need to make sure that we develop the right consensus of approach with our allies, to make sure that that regime is fully supported by all nations involved in CoCom.

But, overall, I think CoCom has served an excellent function and needs to be supported in its activities for the 1990's.

Senator SARBANES. Senator Cranston.

Senator CRANSTON. Thank you, Mr. Chairman. I have no questions.

I do want to say I support the nomination enthusiastically.

Mr. KLOSKE. Thank you very much, Senator.

Senator SARBANES. Mr. Kloske, we are very pleased to have you with us this morning.

Mr. KLOSKE. Thank you, sir.

Senator CRANSTON. I have a statement for the record.

Senator SARBANES. The statement will be included in the record.

STATEMENT OF ALAN CRANSTON

Senator CRANSTON. I'm pleased to welcome Dennis Kloske to the committee this morning. Mr. Kloske has been nominated by Presi-

dent Bush to be Under Secretary of Commerce for Export Administration. This is a critical position in the administration and one that must work closely with this committee.

This committee felt the operation of the export control system was so important that we separated it from the International Trade Administration and created the position of Under Secretary for Export Administration. This position was first filled by Paul Freedenberg, who is well known by the members of this committee. I think it's fair to say that Mr. Freedenberg was widely respected for his efforts at Commerce. I can only hope that Mr. Kloske will follow Mr. Freedenberg's example of maintaining a close working relationship with the committee and that he will continue efforts to streamline the export control system.

Representing the leading high-tech State, I have a special interest in the export control system. My desire to have an export assistance office opened in northern California is no secret to anyone. In 1988, California firms were responsible for more than 25,000 of the 95,000 export license applications received by Commerce. These California exports were valued at $38 billion. The trade bill enacted last year was a tremendous help to our exporters and will allow the Government to better target its resources on truly critical technologies. It also made several reforms aimed at putting Commerce firmly in charge of the export control regime and ending the de facto power by the Department of Defense. I trust you will work diligently to carry out the reforms made last year.

Mr. Chairman, it's imperative that we fill this critical position as soon as possible and I'm pleased to support Mr. Kloske's nomination. Mr. Kloske, I look forward to working with you in the future of the many important issues facing the Bureau of Export Administration and the high-tech exporters of California.

Thank you, Mr. Chairman.

Senator SARBANES. I'll turn the chair over to you.

Senator CRANSTON [presiding]. We'll now proceed with the nomination of C. Austin Fitts as Assistant Secretary of HUD.

Ms. Fitts, I welcome you to this committee hearing on your nomination. I suspect, when you began to consider this appointment, you had no idea that you would be stepping into the whirlwind that it's become.

Those of us who care about the quality of housing in this country are very eager to have you succeed.

In my view, the job you're about to pursue is one of the most important in the nation.

The housing problems that were created and allowed to fester in the last 8 years and longer are now crashing upon us.

Problems ignored have become urgent needs. The need to provide decent, affordable housing and the need to prevent the loss of hundreds of thousands of low-income housing units; the need to stem the losses of FHA, the need to rebuild the morale and capability of that vital agency; and the need to clean up the scandal and mess that has been left by your predecessor. The trends in HUD are ominous.

I'm confident though that, working together, we can make things better. In a few minutes, the Housing Subcommittee will have

hearings on the long-term financial viability of FHA. I look forward to your testimony as those hearings continue on Thursday.

I am deeply concerned by recent reports that the FHA fund may be weakened as a result of mismanagement, fraud and abuse and by the continuing drain of funds in the southwest.

I want to work with you to make sure that FHA is revitalized and made an effective force for affordable housing. You're being called to a great task. Millions of people whom you will never know anything about depend on your taking up that task with rare dedication, skill, wisdom and courage.

I believe that you can bring those capacities to bear on this effort. I know that you and I and Jack Kemp share many goals. I think we have a rare opportunity, perhaps the best opportunity since the 1940's, to bring sweeping improvements to the Nation's housing policies.

I look forward to working with you.

Before proceeding with you, I want to ask Senator Sarbanes if he has any opening remarks.

Senator SARBANES. I have nothing.

Senator CRANSTON. Senator Heinz, do you?

Senator HEINZ. Mr. Chairman, only this.

I think Austin Fitts brings to the Department an absolutely unique set of talents. Her background in the markets will, I think, allow the federal effort for which she will be responsible to be singularly revitalized.

And I just urge her favorable consideration and approval by this committee.

Senator CRANSTON. Thank you very much.

Senator Al D'Amato is mysteriously down there at that table instead of this table. And I suspect he may have some introductory remarks.

OPENING STATEMENT OF SENATOR D'AMATO

Senator D'AMATO. Mr. Chairman, that is correct. I'm pleased to have the opportunity to introduce C. Austin Fitts to this committee and to recommend her favorable consideration.

Mr. Chairman, I'm going to ask that the full text of my remarks be placed in the record as if read in their entirety.

Let me take this opportunity to say that this is a challenging time, and Austin Fitts brings to this position years of talent background gained in the private sector in the innovative creation of capital that is necessary and so important to moving the housing industry forward.

She understands that private sector. She understands the market places so well, what they will and will not support.

And, in addition, she has gained years of experience, not only in the private sector but at all levels of government, working in some of the most distressing areas—capital formation for the city of New York as it relates to their educational programs; working with both the U.S. Senate and the House of Representatives and the Department of Commerce to tackle financial strategy issues.

So she brings a wealth of experience, a great educational background, a great talent—all that, she makes available to us and the citizens of this country.

We certainly need her expertise and efficiency and innovation that she will bring will be a welcome addition to HUD.

I fully endorse her nomination as the Assistant Secretary of Housing in the Department of Housing and Urban Development. And I would hope to get a speedy confirmation, Mr. Chairman.

I certainly look forward to working with C. Austin Fitts.

[The complete prepared statement of Senator D'Amato follows:]

PREPARED STATEMENT OF SENATOR D'AMATO

Senator D'AMATO. Mr. Chairman, I am pleased to introduce C. Austin Fitts to the Banking Committee as it considers her nomination as an Assistant Secretary for Housing of the U.S. Department of Housing and Urban Development. Ms. Fitts has in the financial industry an impressive list of achievements. I am honored to have her with us today.

I am, of course, proud that Ms. Fitts is a citizen of New York, and has shown great dedication to finding solutions to New York's urban problems. As Managing Director of Dillon, Read & Company, and as a member of the New York City Board of Education Capital Task Force Financial Advisory Group, she has had several years of experience working with all levels of government to address urban financial problems. She has worked with the Senate, the House of Representatives and the Department of Commerce to tackle financial strategy issues.

Ms. Fitts received her B.A. from the University of Pennsylvania, and her M.B.A. from The Wharton School.

I am familiar with the issues that will challenge Ms. Fitts in the U.S. Department of Housing and Urban Development. HUD has the authority to implement creative solutions to urban problems, and a responsibility to ensure Americans a decent standard of living. In her previous career, Ms. Fitts has shown tremendous vitality, and it is clear to me that she will be able to meet the demands of her new post.

Ms. Fitts' focus on expertise, efficiency and innovation will be a welcome addition to HUD. HUD definitely needs a revitalizing boost from the private sector. Ms. Fitts is the perfect one to do this.

I fully endorse the nomination of C. Austin Fitts as an Assistant Secretary of Housing of the Department of Housing and Urban Development.

Thank you, Mr. Chairman.

Senator CRANSTON. Thank you, Al. Before we begin I have statements from Senators Dixon and Sasser for insertion in the record.

STATEMENT OF SENATOR DIXON

Senator DIXON. Mr. Chairman, I am pleased to be here this morning as the banking committee considers the nominations of Dennis Kloske to be Under Secretary of Commerce for Export Administration and C. Austin Fitts to be an Assistant Secretary of Housing and Urban Development. I look forward to hearing from the two nominees.

At the outset, I want to make a brief comment about the Kloske nomination. Export control issues are very prominent lately, and issues under the jurisdiction of the Bureau of Export Administration, which Mr. Kloske will head, are increasingly vital to our international competitiveness and our future economic performance. The President has therefore nominated Mr. Kloske to a crucial post, one that is extremely challenging and one that demands strong leadership. It is a testimony to Mr. Kloske that the President thinks he is so well qualified for this tough job. I look forward to working with him on future export control issues.

Thank you, Mr. Chairman.

STATEMENT BY SENATOR JIM SASSER

Senator SASSER. Mr. Chairman, I take a strong interest in the testimony that we will hear this morning. I welcome Assistant Secretary Fitts to her new position as Assistant Secretary for Housing. She will play a crucial role in the HUD framework. Her impressive and varied experience promise to add new vitality to housing programs at a time when the need for bright and competent individuals like herself is sorely needed.

The Federal Housing Administration has been one of the great success stories of our Federal housing programs. It has supplied home financing to thousands of individuals and families who might not otherwise have been able to achieve the "Great American Dream"—to own one's own home.

The continued financial health of the FHA is imperative to the access of thousands of potential home buyers to the housing market. Recent reports have emphasized some disturbing findings from the Price-Waterhouse/GAO audit for fiscal year 1987. Indeed, Government equity in the FHA fund was written down by $1.9 billion. The FHA single family insurance fund experienced its first cash losses in over 40 years.

Now, we must pinpoint the reasons why. We must read the results of these audits closely. Are these losses attributable to the coinsurance program? Are they a product of depressed economies in several States? How can we distinguish between the performance of the single-family and multifamily programs? Most importantly, since FHA has been a success for most of its history, are its current problems the result of mismanagement and abuse at HUD under the Reagan administration?

In the FHA, we have a housing program that works. We must preserve the FHA and its original goals as we seek to eliminate it inefficiencies. We must act quickly to prevent its financial situation from worsening. It does appear that the vast majority of the problems with insolvency are due to poor management and oversight. These problems *can* be addressed and overcome. I look forward to Ms. Fitts' testimony and her ideas on approaching the recent and upcoming audit findings.

Thank you, Mr. Chairman.

Senator CRANSTON. It's now my duty under our regular procedures to administer the oath.

[Witness sworn:]

Senator CRANSTON. We welcome you. If you would now proceed with your statement.

STATEMENT OF C. AUSTIN FITTS, OF NEW YORK, TO BE AN ASSISTANT SECRETARY OF HOUSING AND URBAN DEVELOPMENT

Ms. FITTS. Thank you.

Senator D'Amato just went out the door. I just wanted to thank you again for introducing me. It's nice when you're doing something to have the hometown team behind you.

Mr. Chairman, I have a written statement that I'm submitting for the record.

Senator CRANSTON. That will go in the record.

Ms. FITTS. I just want to make a few words as an opening statement. I first want to thank you for hearing me this morning in the confirmation hearing. I feel that it's very fitting I should be here because I know that many members of this committee have done really yeoman service in recent years to look at the housing issues, and I look forward to working with you.

I have been extremely impressed as I have met with some of the Senators on this committee as to the seriousness that they took their charge to make sure that my background and credentials were fitting this position.

And I thought that since we begin now to work together for 4 years on some very serious problems, that I would like at least to tell you why I want this job, and very much I do want this job, before I ask you for your blessing.

I grew up in west Philadelphia in a poor neighborhood, though my family was not poor. I saw for years the impact of crime, drugs and lack of opportunity on people in that neighborhood. It was very clear to me because of the opportunities afforded me, particularly educational, that every day I saw the difference in the inequities of those things afforded me and not afforded my very best friends.

And that has always been with me.

I left Philadelphia to go to college and graduate school, and then I went to Wall Street. For 11 years on Wall Street, I was blessed with the opportunity of participating in what has been one of the most extraordinary revolutions of our time. I was able to do that training with some of the top financial experts in the world.

When President Bush was elected last year and then Jack Kemp was nominated as Secretary of HUD, many of the people whom I respect both on Wall Street and in the world of politics urged me to pursue this job.

Because of that, I researched the state of HUD and the FHA and I also researched a great deal about the Secretary's philosophy on poverty and the role of housing, on the need to give everyone an opportunity to share in the American dream.

After doing that research, I was convinced that I very much wanted this job and to serve Jack Kemp in achieving the objectives that he has set out for the Department would permit me the opportunity I had always wanted, and that was to use my skills and training to constructively address those inequities that I saw so much as a child.

I'm often asked in my capacity as special advisor to the Secretary what my objectives will be if I'm confirmed. And I wanted to just state those for you today.

My objectives are to assist Jack Kemp to achieve the six priorities that he has set out for HUD in the Bush administration. I want to go over again for you what those six priorities are.

The first is to expand homeownership and affordable housing opportunities.

The second is to create jobs and economic development through enterprise zones.

The third is to help end the tragedy of the homeless.

The fourth is to empower the poor through resident management and homesteading.

The fifth is to enforce fair housing for all.

The sixth is to make public housing drug-free.

There is nothing, I would think, that I would rather do with my career or time in the next 4 years than to assist the President and the Secretary to achieve these objectives at HUD.

But I need your blessing to do it, so I come here today, as we say on Wall Street and as I've said for the last 11 years, to ask for the order.

So, I thank you very much.

Senator CRANSTON. Thank you very much.

I have just a few questions.

First, is there any organization or entity with which you are affiliated that would cause any conflict of interest to your service as Assistant Secretary for Housing that you can think of?

Ms. FITTS. No, sir. I have resigned from all organizations, both business or charitable, where there might be either a conflict or a possible appearance of a conflict.

[The complete prepared statement of C. Austin Fitts follows:]

STATEMENT OF C. AUSTIN FITTS

FEDERAL HOUSING COMMISSIONER-DESIGNATE

BEFORE THE

SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

AUGUST 1, 1989

Chairman Riegle, Senator Garn, and members of the Committee. It is an honor to appear before you this morning as President Bush's nominee to serve as Assistant Secretary for Housing/Federal Housing Commissioner at the Department of Housing and Urban Development.

I am grateful that the President has seen fit to nominate me to this position of trust and responsibility, and I deeply appreciate this unique opportunity for public service.

I am further grateful for the confidence expressed in me by your former colleague, HUD Secretary Jack Kemp, who holds an abiding faith in the capacity of the Department of Housing and Urban Development to help achieve the goals of housing opportunity, homeownership, economic growth and jobs for American workers.

When I was designated for the position of FHA Commissioner by the President, I was excited by the challenge of working with Secretary Kemp toward the goals of housing and homeownership opportunity. Since that time, HUD has been confronted with a number of management challenges that were largely unexpected, and dealing with those problems will continued to demand immediate action and constant attention. It is only by meeting those challenges and restoring integrity and efficiency to HUD that we can begin to use all of our resources to fulfill HUD's basic mission.

In recent months, Secretary Kemp has been forced to take action to either halt or commence reforms of a number of HUD programs, most of them programs which fall under the immediate

direction of the Federal Housing Commissioner. Efforts to end fraud, abuse, waste and mismanagement in these -- and indeed all -- HUD programs are continuing at an accelerated pace. Reforms are being implemented in a variety of programs to ensure not only the correction of past problems, but also to ensure that in the future programs operate as Congress intended and in the best interests of the people whom the Department is meant to serve.

Secretary Kemp has indicated in strong terms that he intends to move forward to achieve the policy priorities which he outlined to you in his own confirmation hearing before your Committee in January. In order to meet the goals of affordable housing and homeownership, a first priority is better management of HUD programs.

For millions of Americans, FHA insurance has been the key to realizing the dream of homeownership, and the Bush Administration's commitment to FHA is absolute. But only by maintaining a financially sound, well-managed Mutual Mortgage Insurance Fund can we keep the dream alive for this and future generations of young American families. Both this insurance fund and the one which insures loans for affordable multifamily housing are experiencing excessive losses that can be traced in large measure to ineffective management and lack of accountability.

Secretary Kemp has asked me to direct the Department's efforts to develop and implement improvements which will both

protect the financial integrity of the insurance funds and better target FHA programs.

Because of my professional background in corporate and government finance, I consider myself in an ideal situation to further the Secretary's commitment to reinvigorating FHA and running it on a business-like basis. We will take whatever further steps are necessary to stem excessive losses to the insurance funds and put them on solid ground so that HUD can better serve the people who depend on its programs.

I realize that the jurisdiction of the position for which I have been nominated encompasses a broad range of assisted housing, homeownership and regulatory programs. And the effective administration of not just FHA but all of the programs in the Office of Housing is essential if we are to meet the goals of decent, safe and affordable housing for all American families. I look forward to working with Secretary Kemp in developing and executing the HUD programs which help to make these goals a reality.

In closing, I want to echo a commitment which has been made by Secretary Kemp and other HUD nominees which have come before you. I will do all I can to ensure that HUD's programs are operated not only ethically and efficiently, but also competitively and consistent with statutory requirements, for their legitimate purpose.

Mr. Chairman, the Senate Banking Committee, and particularly the Housing Subcommittee under the leadership of Senators

Cranston and D'Amato, has done a great deal over the past two years to refocus the debate over national housing policy. I look forward to our cooperation over the months ahead as this debate moves forward. In this spirit, I offer myself to you as the President's nominee to be Federal Housing Commissioner.

Senator CRANSTON. Thank you.

The position of Assistant Secretary for HUD, Housing and Urban Development, has been sort of a musical chairs filled by no less than seven people in 8 years. I think it would be outrageous to continue that practice.

I would like to know what commitment you have made and you are willing to make to this committee about the length of time you will serve in this position.

Ms. FITTS. I think that's an excellent question because, in many of the hearings that we've seen so far on HUD, there's been a great amount of talk about what has happened, what was done that was wrong, and not enough talk about what didn't happen and should have happened.

But, certainly, one of the key problems was that there was extraordinary turnover in the leadership of the FHA.

And I can't say enough about my admiration for the Secretary. The first day I interviewed him, the first question he said to me was:

"Unless you're willing to make a commitment to 1992, you will not be considered for this position."

And in the first interview, I committed the same. But something much more important was done, and that is, in staffing all the leadership positions within FHA and Housing, those were staffed by a joint effort of many people around the agency, there was really a team consensus on the people chosen.

And all of those people were asked for commitments through 1991 and 1992, so that we would have a team of people who were working as a team and who were there for the long run and so that the kind of things that need to be done can be planned for and accomplished.

Senator CRANSTON. I know that Secretary Kemp has stuck to his own commitments. I know how much he would have liked to be Football Commissioner. [Laughter.]

We were appalled at the thought he would leave so soon because he had gotten off to such a fine start. I'm glad he demonstrated his commitment to these responsibilities. We've all been shocked by the unfolding scandal at HUD.

We're particularly outraged to learn that well-connected consultants and developers were allowed to enrich themselves by diverting funds that were intended to house poor people.

What are you doing? And what will you do to put an end to that?

Ms. FITTS. There are many things that can be done. I think the most important thing, and we've obviously spent a lot of time trying to determine this in my capacity as special advisor, but the most important thing is that programs be designed so that there is not tremendous profit available for consultants. Number one.

The second is that the process of choosing participation in grants or other programs be designed and disclosed so there is not the opportunity for a consultant to exploit knowledge inside the Department.

Again, I think the first one is the most important, that properly designed programs, the subsidy does not exist to pay for such services.

Senator CRANSTON. Several years ago, former Secretary Pierce testified before this committee and said that when he came, that he found waste in the section 8 program. Some lawyers were charging $1,000 per unit. He was asked what he did to correct the problem.

His response was that he terminated the program.

That response sounds even more preposterous today than it did then.

Many people are concerned that HUD's response to misconduct in housing programs might be to shut down the program.

How do you respond to that?

Ms. FITTS. The person who said it best was Jack Kemp, who said:

We are not here to wage war on programs. There is a tremendous difference between a program being not a good program and a program being mismanaged.

When we have good programs being mismanaged, it's our goal to manage them correctly.

Senator CRANSTON. Good. There have been some disturbing news articles recently that have indicated that an unnamed, quote, "advisor" to Secretary Kemp was saying that Jack Kemp is beginning to see the unfolding scandal at HUD as an excuse to break with congressional efforts to develop an effective new housing policy."

I of course believe that would be a serious mistake and I doubt that that is actually Secretary Kemp's view based upon my conversations with him, although I haven't talked to him for 2 or 3 weeks now.

In your opinion, what are the prospects for cooperation between Congress and this administration on housing initiatives?

Ms. FITTS. I think they're extraordinarily good. I've had a chance to review some of the legislative efforts by some of the members of this committee and I think—obviously, I'm not in a position right now to comment on them—but one of my favorite expressions that I've heard since I got to Washington is Jim Rouse saying that: "In the world of housing, there's a wonderful yeasting across America of ideas."

I think one of the things that's reflected by the really incredible work that you and your staff and other members have done is to try to reflect a great deal of that yeasting of ideas and the work done at State and local government levels, and by the private sector.

In addition to that, we feel that we have learned a great deal by being in the building. And, in fact, we have some terrific ideas as well. We look forward to working with you to build something that, together, will really work.

So, I'm an optimist. Jack Kemp is an activist, and I think there's tremendous opportunity for all of us.

Senator CRANSTON. I think you and he will be a very fine combination of optimism and activism.

What do you believe are the major problems you will face in your particular role?

Ms. FITTS. I think the major problem initially that I will face is to systematically determine immediately what information we have.

I said it earlier, and I think you may have mentioned earlier, it's not so much what was done, it is what was not done in terms of management.

There is a great amount of work to be done in the building in terms of financial systems, accountability, program design, personnel, training—a great many things.

On a more political level that puts many people to sleep, there are four hard years of work to be done, the kind of things that really deliver efficient programs to millions of Americans. And I think those are going to be the tough things that need to be slugged out day to day by Jack Kemp and his team, certainly in FHA.

Senator CRANSTON. The goals you set forth—one, two, three, four, five—in your opening testimony are very fine goals.

Can you spell out in a bit more detail how you go about achieving fulfillment of those goals?

Ms. FITTS. I've been told by my advisers here that if I'm too specific, I'll get in trouble. [Laughter.]

Let me mention a couple of things.

First of all, under my auspices as Assistant Secretary of Housing, there is a great deal of grant money to be allocated and certainly in the criteria for allocating that money, many of these goals can be reflected.

And I think there is tremendous support that can be given for these goals.

On a bigger issue, as you know, the FHA represents a huge financial institution. If you measure it against other entities in Government, even the private sector, it's incredible.

And in terms particularly of homeownership and affordable housing, there is a great deal more that can be done with that mechanism than is being done now.

The FHA provides great support to homeownership in this country. But those are the 2 critical areas I see really using the finance programs to broaden homeownership opportunities and provide liquidity in the market that does that, and then to allocate the grant money as efficiently as possible so that it does go to low income people who need it for some of these objectives instead of to consultants.

Senator CRANSTON. As you know, Senator D'Amato and I, together with a large number of the Nation's housing leaders, have been working for more than 2 years to develop the National Affordable Housing Act, which will provide a significant overhaul of Federal housing programs.

I know that you can't give any detailed administration position on that bill at this time. The bill is being refined further.

Can you give us any general response to it?

Ms. FITTS. Yes. I think what I said before really describes my general response in that Cranston-D'Amato brings together many of the good ideas and really reflects some of the tools we need to deal with the way housing is being delivered now as opposed to a decade ago.

I do feel, and the Secretary does feel that we have many, many additional ideas that we would like to present to you and bring to the table.

Two things also. I think that by being at HUD and working inside the building with programs, there's a great deal of knowledge that we have that can assist in designing some of the things in the housing legislation that you working in the Senate might not have access to or don't have.

It's also very important that a couple of issues which are not reflected in Cranston and D'Amato be taken into consideration as we move forward on the housing legislation, such as preservation.

But, again, we think that it is really an impressive coalition of ideas and people on really an issue that there's no more an important issue before us.

So we look very much forward to working with you on it.

Senator CRANSTON. I'd just like to ask one slightly more specific question, and that will be my last one, I think.

As you know, we're going to follow this hearing on your nomination with a hearing on FHA and the problems that have been involved in it, the uncertainty about the status of the fund now and some abuses that obviously have occurred.

We're also going to be getting reactions to two aspects of our bill that have provoked some criticism and some concern.

One is whether or not we need a larger downpayment on FHA than the bill provides to enhance the prospects that people will have an investment that will keep them from walking away from it.

The second is whether or not we should lift the ceilings as high as we are proposing. This issue addresses a concern that Al and others have that FHA just doesn't apply in many parts of the country—not just in our States where that is a fact—but in many other parts of the country.

Do you have comments on those two points?

Ms. FITTS. One of the things that is one of my most urgent, immediate priorities, if confirmed as Commissioner, is to look at that.

One of the things that has disturbed me upon coming to Washington is to find that, in my opinion, we lack internally the kind of capacity to look very hard at what the impact on the funds would be and what the impact on the use of FHA products would be if we changed a variety of terms and conditions. The two most important obviously are the downpayments and the limits.

One of the problems in the very short run that I would have in providing the policy makers here with the necessary information they need, or providing the Secretary with some of that kind of information is that you need to make real policy decisions on these things, because certainly affordable housing in many areas of the country requires a hard look at those issues.

We are working to change that. We are working to put together the modeling capacity internally that we need to do that. Until we have it, it's extremely hard to take a final position on some of those things.

But, there's nothing more important that we have to do soon, and we appreciate it.

Senator CRANSTON. Thank you very much.

Senator D'Amato now has his opportunity; after introducing Ms. Fitts, he's now going to ask some very tough questions. [Laughter.]

Senator D'AMATO. No. I think you can take a respite, Austin. I was saying to the chairman that I thought Thursday, at our hearing Thursday, we would have an opportunity to review with you and, hopefully, you'll be confirmed or well on your way toward that, to review with you some of the problems and the status in particular. If you can give us Thursday of FHA.

There have been a number of questions that have been brought to light recently:

Is the fund in trouble?

What is the situation?

Will there have to be adjustments made actuarially to deal with it?

I'm very encouraged. I just received a few moments ago a letter from Secretary Kemp that was sent to me, and a similar letter sent to Senator Cranston, in which the Secretary talks about FHA for the 1990's. And I would share this with those who are here.

The second from the last paragraph, it says:

> Senator D'Amato, it is absolutely essential that our objective of serving the poor and expanding opportunities for young families to purchase their own homes be coupled with responsible financial management and sound business practices. And so to those who continue to put forth this rumor that somehow Jack Kemp is going to use the current morass and those problems in those areas of fraud and those areas of abuse of the political process as an excuse to terminate necessary programs.

I think that the Senator—Senator Cranston and I are very much assured, at least I'm very much assured that that is not the case.

That what he's looking to do is to see to it that there will be sound financial management. And I would look forward this Thursday to exploring with you a number of issues, including the question. And, by the way, I begin to have second thoughts as it relates to reducing downpayment requirements.

It would seem that many, many people in the private sector as well as those in the governmental area have come to me and expressed a concern that by reducing those downpayment requirements to the levels we have suggested, it might indeed create a situation to put people into a posture whereby they become very risky mortgages, which may go beyond that, which the FHA can be assured.

But, certainly as it relates to the question in high cost areas throughout the country, should FHA be in a position to provide insurance—and that's one of the things Thursday I hope we can go into, and you might explore between now and then, provide insurance for families that meet a sound financial test as it relates to being able to service that mortgage and that property.

Or should it say "high cost areas"?

We're not going to make mortgage insurance available?

As a practical matter, I would say that anyone looking to say, I would say in 95 percent of the situations in the New York metropolitan area, there is no home that sells for less than $101,000, which is the limit.

So, in essence, FHA does not apply there.

Is that something that we're going to say as a national policy should be the case?

Now, it's wonderful when the Wall Street Journal writes these ripping editorials saying, "It should not be for the wealthy." But,

let's wake up. In Connecticut, in Westchester, in the New York metropolitan regions—and I dare say in many, many regions in California and other areas—that's the case.

If we're going to say as a policy matter: FHA should not insure any home more than $101,000, let's understand that we are saying that 90 plus percent of the homes that are going to be sold in major regions—I don't know what the situation is in the Boston area, but I would assume, in certain areas, it's about like that, that there are vast areas of this country where young families will not be able to afford the opportunity to use FHA.

Now, does that make the fund any sounder?

I don't know. But I think we have to look at that, and I would hope maybe we could explore that in depth Thursday, at Thursday's hearings.

Once again, Mr. Chairman, I think we are tremendously fortunate in having Secretary Kemp with his dynamism and see Austin Fitts with her experience and her expertise in the financial marketplace and the fact that she is willing to put herself forth for public service in the highest and most beneficial sense.

I look forward to her confirmation.

Thank you, Mr. Chairman.

Senator CRANSTON. Thank you very much, Al.

Ms. FITTS. Thank you very much.

Senator CRANSTON. Thank you very much.

That concludes this phase of today's activities before the committee.

I am delighted that you have been nominated, look forward to working with you, and look forward to questioning you on Thursday when you're back with us.

Ms. FITTS. Thank you very much.

Senator CRANSTON. Thank you.

[Whereupon, at 10:25 a.m., the committee adjourned, to reconvene subject to the call of the Chair.]

[Response to written questions of Senators Shelby and Cranston, biographical sketches of nominees, and additional material for the record follow:]

UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for Export Administration
Washington, D.C. 20230

August 1, 1989

Honorable Alan Cranston
United States Senate
Washington, D.C. 20510

Dear Senator Cranston:

Thank you for your warm endorsement at my confirmation hearing before the Banking Committee this morning. At your request, I am enclosing responses to the written questions you have submitted to me. If you have any further questions, I would be pleased to provide you with additional details.

Again, thank you for all your assistance, and I look forward to working with you and other members of the Banking Committee, once I am confirmed.

Sincerely,

Dennis E. Kloske
Under Secretary-Designate for
Export Administration

Enclosure

CJacobson/lit/lit
cc: Subject
Chron
Jacobson
Kloske files (2)

1.) The Trade Bill called for the elimination of all licensing requirements for exports of goods and technology to COCOM or 5(k) countries certified to have effective export control systems. The conference report stated, "The conferees explicitly endorse the goal of an export licensing-free zone among COCOM countries, and expect the Administration to work diligently to achieve this objective as soon as possible." Last November, the Department announced that no country qualified for delicensing. I'd like to know your thoughts on this provision, what efforts you would recommend to accomplish the goal of a license-free COCOM, and how EC 1992 affects U.S. and COCOM policy.

Answer:

The United States has made a substantial effort over the past eight years to revitalize and strengthen COCOM. Our COCOM partners concurred with the 1981 U.S. initiative to strengthen COCOM, and all participating countries have been working steadily to establish a common standard for effective protection of Western technology. The common standard contains agreed-to elements of an effective export control system, such as documentation and review requirements, enforcement mechanisms, and domestic enabling legislation on export controls.

The amendment to section 5(k) of the Act regarding countries with effective export control systems provided a useful impetus for the conclusion of our negotiations at COCOM on the common standard. The establishment of this standard is the necessary first step toward accomplishing the goal of a license-free COCOM. Obviously, the possibility of a borderless EC in 1992 is of great concern. That is why the United States is taking an active role in a second COCOM effort seeking agreement on a system to protect exports in intra-COCOM trade. However, full implementation of this system will be dependent upon each COCOM country putting into place the elements of the common standard.

2.) There is an ongoing debate as to the appropriate roles of the Commerce and the Defense Departments in the export control system. Several provisions in the trade bill were intended to place Commerce firmly in charge. Since you have been at Defense for six years, I'm interested in your impression of the strengths and weaknesses of the two systems and if you are aware of Defense having access to any material or information that is unavailable to Commerce.

Answer:

I believe that each agency has an important and unique role to play in national security export controls. The Department of Defense has the resources and skills to advise Commerce on the use of technology in meeting the military requirements of the Soviet Union

and the East Bloc. This role has been underscored by the Congress in making the Defense Department the custodian of the Militarily Critical Technologies List. On the other hand, Commerce has the technical and policy expertise to maintain an export control system which maintains U.S. international competitiveness without unduly impairing our national security. I believe the different strengths of the two agencies can complement each other very well.

Occasionally, disagreements over specific licensing issues occur, generally based on alleged adverse information on the consignee, even though both agencies draw upon the same body of intelligence information. We are unaware of unique information to which only Defense has access; moreover, Defense is required by law to share all relevant information with Commerce. I believe that these licensing disagreements are often the result of different perspectives on the national interest, and are not due to either agency having access to unique information.

With respect to my personal tenure at the Department of Defense, I have the following thoughts to share: Because of its enduring and comprehensive involvement in the development of advanced weapons systems, the Department of Defense maintains a huge staff of engineers and other technical experts to oversee weapons programs. Significant levels of expertise reside in the Systems Command organizations of each of the Military Services, the military and civilian laboratories, and the Defense Advance Research Projects Agency. The establishment, in recent years, of the Defense Technology Security Administration (DTSA) has contributed an additional element of technical assessment in the area of export controls. While it is appropriate for the Department of Defense to provide assessments on the military sensitivity of strategic trade with the Soviet Bloc, these assessments need to be balanced by an understanding of the need to preserve U.S. competitiveness in commercial, non-strategic trade and on the need to maintain a strong consensus in COCOM.

3.) Current law states that the entire control list must be reviewed annually, with partial reviews quarterly. This was done in response to complaints from exporters that the list kept growing, but lower level technologies were never removed. Has the Administration conducted quarterly reviews, and have there been any changes in the list as a result?

Answer:

The Administration is sensitive to the views of the exporting community concerning the removal of lower level technology from the control list. That is why the U.S. is an active participant in the COCOM exercise to streamline the list so that it covers only truly strategic technology. Within the last year a number of changes have been made implementing COCOM agreements to remove low level technology. For example, last year we implemented the COCOM agreement to allow a much higher level of computer to be exported to China without COCOM review. In addition, we expect to announce shortly the worldwide decontrol of PC\AT compatible personal computers which was based on a Commerce Department foreign availability determination.

The U.S. control list is based on the COCOM list. Consequently, review of the U.S. list is not entirely independent of the COCOM list review process. Currently, COCOM completes its review of the control list every four years. If the U.S. acts unilaterally outside of that process, we would undermine the multilateral export control system.

In addition, the formulation of U.S. positions on items for control or decontrol at COCOM is controlled by the Department of State. Consequently, an independent Commerce review of our domestic list, unless agreed to by the Department of State, would not result in COCOM implementation.

Implementing quarterly list review will be difficult. We are exploring ways to fulfill our statutory responsibilities in a manner consistent to our commitment to COCOM.

4.) I understand that there have been several cases recently where there has been a question as to whether a product or technology is controlled by the Department of State or the Department of Commerce. How is the issue of commodity jurisdiction currently handled and would you recommend a more effective dispute resolution mechanism?

Answer:

Commerce is actively engaged in discussions with State to establish a formal mechanism to address jurisdictional disputes. As a part of this effort, we are attempting to develop a definition that would differentiate more clearly between technology subject to Commerce control and that subject to State control. This

definition should reduce exporter uncertainty over appropriate jurisdiction in many cases. For those cases requiring interagency consultation, the mechanism will provide for timely resolution of the issue. We hope to reach agreement with State in the near future.

Question of Senator Shelby regarding HUD's policy concerning the applicability of the Ninth Circuit Court of Appeals' recent decision on rent comparability, and that decision's impact on HUD's programs nationwide: "Is HUD reconsidering this position, so as to treat all Section 8 owners equally as far as back payments are concerned?"

Answer by Ms. Austin Fitts

I am advised that the following is the status of the Rainier View issue in the Department.

Your question concerns the recent decision by the Ninth Circuit Court of Appeals in the Rainier View case relative to rent comparability and automatic adjustments. The court therein held that under Section 8(C)(2)(A) & (C) of the U.S Housing Act of 1937, HUD cannot employ a separate comparability analysis to limit annual rent adjustments. Rather, it must adjust the contract rents solely on the basis of applicable adjustment factors.

The Department finds the decision regrettable. The Department believes it will result in unjustified windfalls to some owners; will be enormously expensive to implement (well over $500 million if applied nationwide) and is contrary to the intent of the law. That is, this standard would compel HUD to arbitrarily adjust rents upward based on inflation, even in economically depressed markets experiencing actual reductions in comparable rents.

The decision of the Ninth Circuit Court is controlling precedent solely within that Court's jurisdiction. While the Department has taken steps to implement this decision in the relevant circuit, I am advised that the Department is currently considering the submission of proposed legislation which would restore prospectively rent comparability in the nine states covered by the Ninth Circuit Court. I am advised that the Department hopes to soon make its final decision regarding the submission of such legislation.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: KLOSKE (LAST) DENNIS (FIRST) EDWARD (OTHER)

Position to which nominated: Under Secretary of Commerce for Export Administration Date of nomination: 14 July 1989

Date of birth: 11 September 1954 (DAY) (MONTH) (YEAR) Place of birth: Rome, Italy

Marital status: Divorced Full name of spouse: N/A

Name and ages of children: None

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Oxford University Oxford, England	9/77 - 6/80	PhD Candidate	
Harvard University Cambridge, Mass	9/72 - 6/77	B.A.	1977
Institute d'Etudes Politique Paris, France	10/75 - 6/76	N/A	

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Rhodes Scholar (1977); Honors B.A. (1977); High Honors Senior Thesis; Dean's List (4 Years); John Ijams Intl Affairs Scholarship; Harvard Center for Intl Affairs Fellowship; President, Worcester College (Oxford) Middle Common Room; Distinguished Public Service Medal (1988)

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
NONE		

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

SEE ATTACHMENT

CONTINUATION SHEET FOR EMPLOYMENT RECORD

FROM/TO	NAME OF EMPLOYER/ADDRESS	TITLE
06/89-Present	Detailed from Department of Defense to Department of Commerce	
08/87-06/89	Department of Defense	Deputy Under Secretary (Planning & Resources)
10/87-06/89	Department of Defense	Trade & Defense Cooperation Advocate
09/85-06/89	Department of Defense	Special Advisor for Armaments to the Deputy Secretary of Defense
01/87-03/87	Detailed from Department of Defense to the White House	Special Advisor to the Special Counselor to the President
08/83-06/87	Department of Defense	Special Assistant/Special Advisor to the US Ambassador to NATO
10/81-07/83	Center for Strategic and International Studies 1800 K St, NW Washington, D.C. 20006	Administrator/Special Assistant to the President/Director for Strategic Planning
12/80-10/81	International Science Applications and Technology, Inc 116 S. Pitt St Alexandria, VA 22314	International Consultant
12/80-10/81	Harold Rosenbaum Associates 111 S. Bedford St, Suite 101 Burlington, MA 01801	International Consultant
06/79-09/79	American Enterprise Institute for Public Policy Research 1150 17th St, NW Washington, D.C. 20036	Researcher

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

06/89 - Present: Detailed from Dept of Defense to Dept of Commerce

08/83 - 06/89: US Department of Defense
08/87 - 06/89: Dep Under Secy of Defense (Planning & Resources)
10/87 - 06/89: DoD Trade and Defense Cooperation Advocate
09/85 - 04/89: Special Advisor for Armaments to the DepSecDef
08/83 - 06/87: Special Asst/Special Advisor to the US Amb to NATO

01/87 - 03/87: Special Advisor to the Special Counselor to the President

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

"Armed Forces Journal International" December 1987: article "Trade and Defense Cooperation: Twin Pillars of Alliance Security"

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

NONE

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

NONE

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

See Attachment next under

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

No

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

QUALIFICATIONS:

In addition to broad experience in foreign policy and defense strategy issues acquired over six years of senior service in the Executive Branch, I have also served during the last four years in key policy positions at the Department of Defense in the areas of international defense trade and technology transfer. In these capacities, I was charged with the development and execution of DoD initiatives that would advance joint military requirements with the United States' allies, strengthen the competitiveness of US defense industries in the global market, and protect critical US technologies from compromise or diversion. This experience has provided me with an intimate and detailed familiarity and knowledge of US export policies and regulations in both the civilian and military sectors. My experience and broad responsibilities in the Department of Defense have also provided me with comprehensive knowledge and expertise on such critical issues as the erosion of our defense industrial base, the growing dependence of US defense industry on foreign parts and components, and the growing impact of foreign direct investment on US technological innovation.

If confirmed for the position for which I am nominated, I will lead the Bureau for Export Administration in establishing a positive and lasting influence in the areas of export control policy and defense industrial base issues.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

NONE

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

I will consult with the General Counsel of the Department of Commerce and, if appropriate, divest myself of conflicting interests, recuse myself, or obtain a waiver of conflict of interest restrictions under 15 U.S.C. §208(b) if the interest if not substantial.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

NONE

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

NONE

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: FITTS (LAST) Catherine (FIRST) Austin (OTHER)

Position to which nominated: Assistant Secretary for Housing Date of nomination:

Date of birth: 24 (DAY) 12 (MONTH) 1950 (YEAR) Place of birth: Philadelphia, Pennsylvania

Marital status: Divorced Full name of spouse:

Name and ages of children: None

Education:

Institution	Dates attended	Degrees received	Dates of degrees
The Wharton School	9/76-5/78	M.B.A.	1978
Univ. of Pennsylvania	9/71-5/74	B.A.	1974
Chinese U. of Hong Kong	9/70-5/71	--	--
Stanford University	6/70-8/70	--	--
Harvard University	6/69-8/69	--	--
Bennett College	9/68-5/70	A.A.	1970
The Friends Select Schl.	9/65-6/68	H.S. Diploma	1968

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

1986 Annual Award -- Women's Bond Club

Listed in:

Who's Who in the East

Who's Who in Finance and Industry

Who's Who of American Women

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
SEE ATTACHED LIST.		

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

Dillon, Read & Co. Inc., 535 Madison Ave., New York 10022

8/78-3/89; investment bank; Managing Director

Goldman, Sachs & Co., 85 Broad St., New York 10004

6/77-8/77; investment bank; summer associate

Santa Fe National Bank, P.O. Box 969, Santa Fe, NM 87504

4/76-8/76; commercial bank; clerical

Carney's, 3608 Chestnut St., Philadelphia, PA 19104

2/76-3/76; tavern; bartender

Unemployed: 7/75/2/76

Doc Watson's, 38th & Sansom, Philadelphia, PA 19104

5/75-6/75; restaurant; manager

La Terrasse, 3434 Sansom St., Philadelphia, PA 19104

1/72-4/75; restaurant; busboy, waitress, bartender, manager

SUPPLEMENTARY SHEET No. 1

Page 2

Memberships:

Organization	Office Held (if any)	Dates
Financial Women's Association of New York		3/89 to Date
The Breakfast Club, "21" Restaurant		1/89 to Date
Museum of Modern Art		12/88 to Date
The Economic Club of New York		11/88 to Date
Women's National Republican Club		11/88 to Date
New York Road Runners Club		7/88 to Date
Schomburg Center for Research in Black Culture		3/88 to Date
The Faculty Club, University of Pennsylvania		11/87 to Date
The Wharton Business School Club of New York, Inc.	Member, Board of Directors (through 3/31/89)	9/87 to Date
Appalachian Mountain Club		9/87 to Date
School of Arts & Sciences, University of Pennsylvania	Member, Board of Overseers	2/87 to Date
The Wharton School	Member, Graduate Advisory Board	4/86 to Date
New York Public Library		12/84 to Date
The Benjamin Franklin Society, University of Pennsylvania		12/84 to Date
Automobile Association of America		1/84 to Date
Book-of-the-Month Club		3/83 to Date

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

SEE ATTACHED.

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

"Ten Guidelines for Financing Infrastructure: Is Your Project Feasible?" Empire State Report, May 1985 (co-authoried with Russell T. Davis).

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

SEE ATTACHED LIST.

SUPPLEMENTARY SHEET No. 2

Page 3

Government experience:

Underwriting and financial advisory services to state and local governments on behalf of Dillon, Read & Co. Inc., 8/78-6/80 (part-time), 1/82-3/89 (full-time).

Member, New York City Board of Education Capital Task Force Financial Advisory Group, 7/87-3/89.

Presentations to members of Senate and House, their legislative staff, Department of Commerce and Department of Transportation staff, on behalf of clients and industry associations, 1984-1986.

Vice Chair, Women's Organizations Advisory Committee, American Bicentennial Presidential Inaugural, 1989.

Member, N.Y. Regional Panel for the White House Fellowship Program, 1989.

Political affiliations and activities: Affiliation: Republican

National activities:

1988 Presidential Campaign

Member, George Bush for President Finance Committee
Member, Presidential Trust
Vice Chairman, Wall Street Lunch for George Bush, 1987
Vice Chairman, New York Reception for George Bush, 1988
George Bush Campaign Volunteer, New York Petition Drive
Alternate, New York Delegation, Republican National Convention
Member, Workplace 2000 Taskforce
Head, New York Surrogate's Speakers Bureau

1984 Presidential Campaign

Member, New York Surrogate's Speakers Bureau

New York State activities:

Member, New York State Republican Finance Committee
Member, Empire Club, N.Y. State Republican Finance Committee
Vice President, Forum 500, N.Y.S. Republican Finance Committee
Vice President, New York County Republican Committee
Vice Chairman, Lincoln Day Dinner (County), 1986-88
Various Committee Posts, All State Finance Events, 1986-89

Other:

As a result of my attendance at numerous political events or my donations to campaigns (see my response to the following question), I have sometimes been listed as a member of an event or other "committee" of the recipient.

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

SEE ATTACHED LIST.

Qualifications: State fully your qualifications to serve in the position to which you have been named.
(attach sheet)

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

All connections have been severed.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

I have no such plans.

3. Has anybody made you a commitment to a job after you leave government?

No.

4. Do you expect to serve the full term for which you have been appointed?

Yes.

SUPPLEMENTARY SHEET No. 3

Page 4

Political contributions of $500 or more:

1982	None	
1983	None	
1984	Friends of Tom Kean	$ 800
1985	New York County Republican Committee	3,000
	Friends of Governor Tom Kean	800
	Friends of Chris Dodd	1,000
1986	People for Siegel (Mark Allan)	500
	Friends of Andy O'Rourke	1,000
	New Yorkers for Koch	1,000
	Scranton for Governor Committee	1,500
	Houghton for Congress	500
	New York County Republican Committee	3,000
1987	Bill Green Congressional Committee	1,000
	New York County Republican Committee	3,000
	New York Republican State Committee	1,000
	Republican Women of the 80's	2,000
	George Bush for President	1,000
	Babbitt for President Campaign	1,000
	Governor Thornburgh Exploratory Committee	1,000
	Friends of Mike Castle	500
	Friends of Ruth Messinger	1,000
1988	New York Republican State Committee	6,000
	New York County Republican Committee	5,000
	Bill Green Congressional Committee	1,000
	New Yorkers for Jesse Jackson	500
	George Bush for President	1,000
	George Bush - Compliance	1,000
	Friends for Houghton	500
	Presidential Trust	10,000
	Justice 88 Committee	500
	Friends of Ruth Messinger	2,000
	Victory 88 – New York	5,000
	Victory 88 - New Jersey	2,500
1989	New York Republican State Committee	5,000
	Bill Green Congressional Committee	1,000
	Citizens for Ravitch	3,000
	Chuck Hardwick for Governor	1,500
	Evelyn Murphy Committee	1,000

SUPPLEMENTARY SHEET No. 4

Page 4

Qualifications:

1. Academic training in finance, accounting, strategic planning, management, economics, computer science and liberal arts (B.A. 1974; M.B.A. 1978).

2. Ten years of experience in a number of financial areas, including corporate finance, mergers and acquisitions, energy finance, and municipal finance, resulting in expertise in:

   - financial markets;
   - credit analysis and financial feasibility;
   - risk analysis;
   - insurance and other forms of credit enhancement;
   - financial modeling and problem solving;
   - fixed income and equity securities; and
   - strategic planning and management.

3. Seven years of experience in working with state and local governments on financial problems and capital needs, particularly:

   - large capital programs combining federal, state and local funding; and
   - designing financial solutions for urban needs previously considered difficult or impossible to finance or to finance in size in the private capital markets.

4. Ten years of business, community, and political activities resulting in experience:

   - with a wide variety of people throughout the country in both the public and private sectors;
   - in public speaking and presentation in small and large forums;
   - with local and national media; and
   - with public policy issues.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None.

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None.

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

SEE ATTACHED.

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

N.A.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None.

SUPPLEMENTARY SHEET No. 5

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Lobbying activity:

1. In 1986, I made presentations to House tax committee staff and Senate finance committee staff at the request of the Public Securities Association and the Government Finance Officers Association to describe the impact of proposed tax reform legislation on municipal issues and the municipal credit markets.

2. In 1984, I testified at a hearing at the Department of Commerce on behalf of Metropolitan Transportation Authority (New York) in a disupute with the Budd Company regarding the purchase of subway cars from the Bombardier Company.

3. Prior to 1987, I met with numerous legislative staff and, on one occasion, staff of the Department of Transportation to make presentations on behalf of Metropolitan Transportation Authority (New York) regarding its capital program and financing plans.

National Association of Home Builders

15th and M Streets, N.W., Washington, D.C. 20005
Telex 89-2600 (202) 822-0200 (800) 368-5242

Shirley McVay Wiseman
1989 President

July 31, 1989

The Honorable Donald W. Riegle, Jr. Chairman
Committee on Banking, Housing and Urban Affairs
SD-534 Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

On behalf of the more than 157,000 members of the National Association of Home Builders (NAHB), I respectfully urge the immediate consideration of the nomination of Ms. C. Austin Fitts to serve as the Assistant Secretary of Housing/Federal Housing Commissioner at the Department of Housing and Urban Development (HUD).

We support the nomination of Ms. Fitts to this key position within HUD and believe she will serve her nation admirably in this capacity. Already, she has gained great respect among members of the housing industry for her fairness and professionalism.

NAHB welcomes the opportunity to comment on this nomination.

Sincerely,

Shirley McVay Wiseman

Shirley McVay Wiseman
President

21-835 (64)